

EXHIBIT I

1 their audit report showed direct cost as contract
2 cost only and did not allocate indirect construction
3 costs in the work in progress schedule.

4 On the income statement they segregated it
5 too so that the analysts could see both components
6 of the cost figure for the total construction cost
7 for the period.

8 Q. From -- I'm sorry. You finished your
9 answer?

10 A. Yes.

11 Q. From an underwriting standpoint was the
12 presentation by Brown Schultz in which it reflected
13 the indirect costs as a separate item so that an
14 adjustment could be made to gross profit appropriate
15 and acceptable for underwriting purposes?

16 A. It was acceptable for underwriting
17 purposes. They gave you the information that the
18 analysts needed to make a proper determination of
19 profit or loss on individual jobs as well as the,
20 you know, income or loss for the period covered by
21 the financial statement.

22 Q. And that could be accomplished by a simple
23 math problem, simple arithmetic?

24 A. Yes.

25 Q. At the bottom there did you write, it's on

1 THE WITNESS: No, I don't have information
2 that I could recall that I could answer that
3 question whether it was positive or negative.

4 BY MR. MCCARRON:

5 Q. Do you have an understanding about whether
6 that \$1,162,000 amount which was the amount of the
7 guaranteed claim by PCIC was included in revenue?

8 A. Well, I believe based upon this disclosure
9 it was included in revenue.

10 Q. So is it your opinion then the disclosure
11 is sufficient to prompt an inquiry about whether the
12 \$1,162,000 should have been included in revenue?

13 A. No. I believe the way the disclosure reads
14 it's a guaranteed claim of \$1,162,000. A reader of
15 the financial report would reasonably interpret that
16 that it was included in revenue. If it was not then
17 it certainly should have been disclosed. But I
18 believe the way it's stated one could reasonably
19 conclude that it was included in revenue.

20 Q. Do you have any complaint about
21 including -- do you have any complaint about the
22 propriety of including the \$1,162,000 amount which
23 was the PCIC guaranteed claim in revenue?

24 A. Well, it would depend upon the nature of
25 Pennsylvania Contractors Insurance Company and its

1 ability to honor that guaranty.

2 Q. So your answer to that question would
3 depend on whether PCIC was solvent enough and could
4 pay that claim as guaranteed?

5 A. Yes. Very definitely if it's included in
6 the auditor's report and disclosure I believe you
7 could reasonably be assured that they have made that
8 independent investigation that it is in fact a
9 guaranteed claim and collectible otherwise they
10 would have had to disclose it otherwise.

11 Q. Would any concern you have or would have
12 had concerning the PCIC guaranteed claim in the
13 amount of \$1,162,000 be resolved if you learn that
14 the full amount of that claim was paid by PCIC --

15 MR. MCGLYNN: Objection.

16 BY MR. MCCARRON:

17 Q. -- or otherwise?

18 A. Repeat your question please.

19 Q. Would your concern about the \$1.162 million
20 guaranteed claim by PCIC be resolved if you knew
21 that CCI received payment of the \$1.162 million
22 amount?

23 A. Yes.

24 Q. In reviewing the financial statements
25 prepared, in particular the 1998 and 1997 financial